Chung Hwa Pulp Corporation

2018 3Q Results

2018.11.30

Disclaimer

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Company Profile

Chung Hwa Pulp Corporation

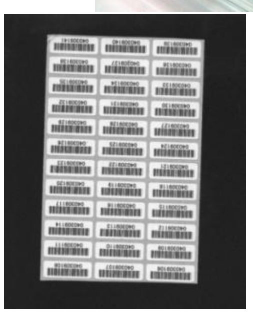
- Stock Code：1905.TW
- Capital：NTD$ 11,028 Million
- Date of Establishment：1968/7/5
- Consolidated business with Paper and Board business unit of YFY in Oct 2012

Major Products

- Pulp
- Cultural Paper & Paperboard
  - ✓ Cultural Paper
    - ➢ Woodfree Paper
    - ➢ Coated Paper
    - ➢ Copy paper
  - ✓ Specialty Paper
    - ➢ Glassine Paper
    - ➢ Masking Paper
- Fertilizer
- Chemicals

Pulp

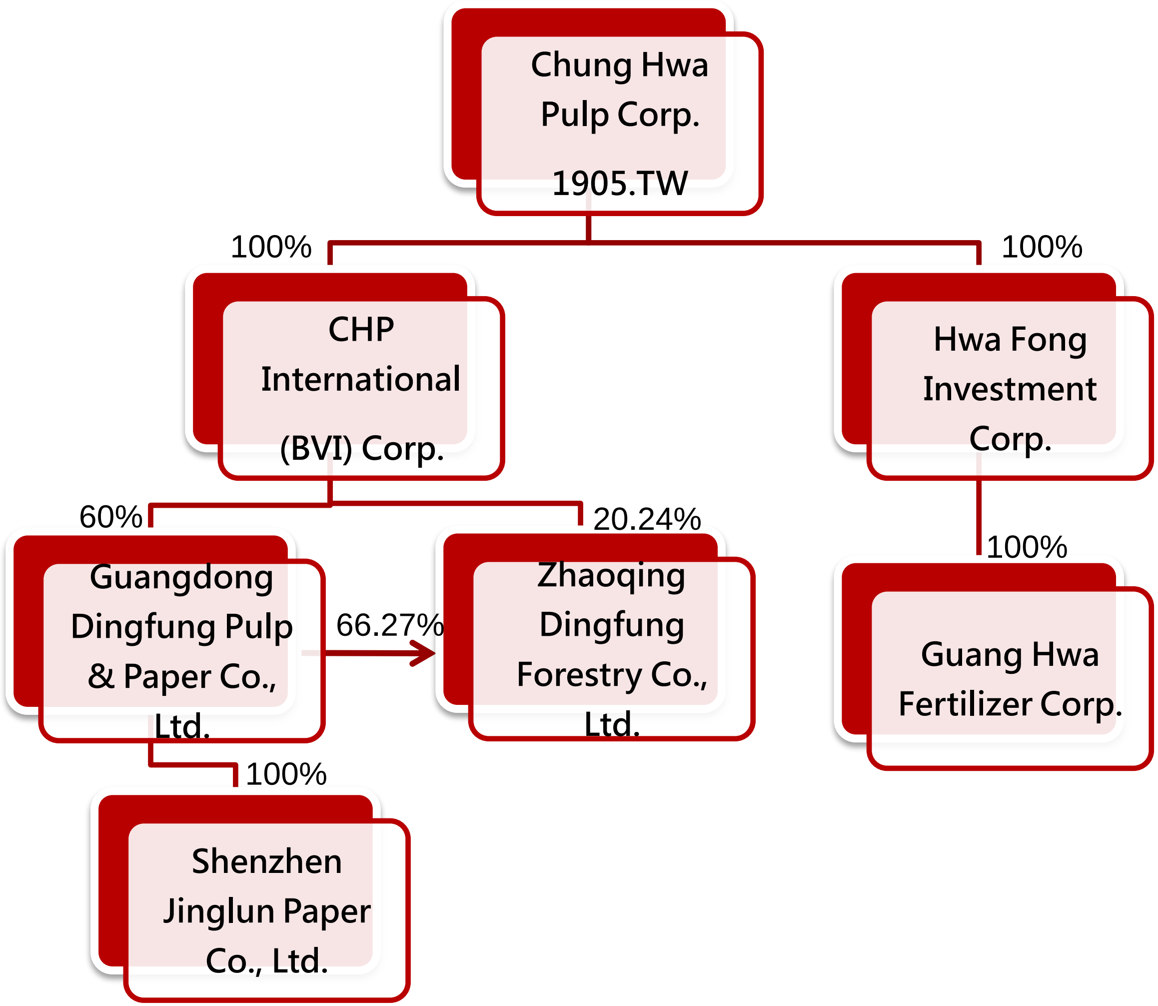
Cultural Paper



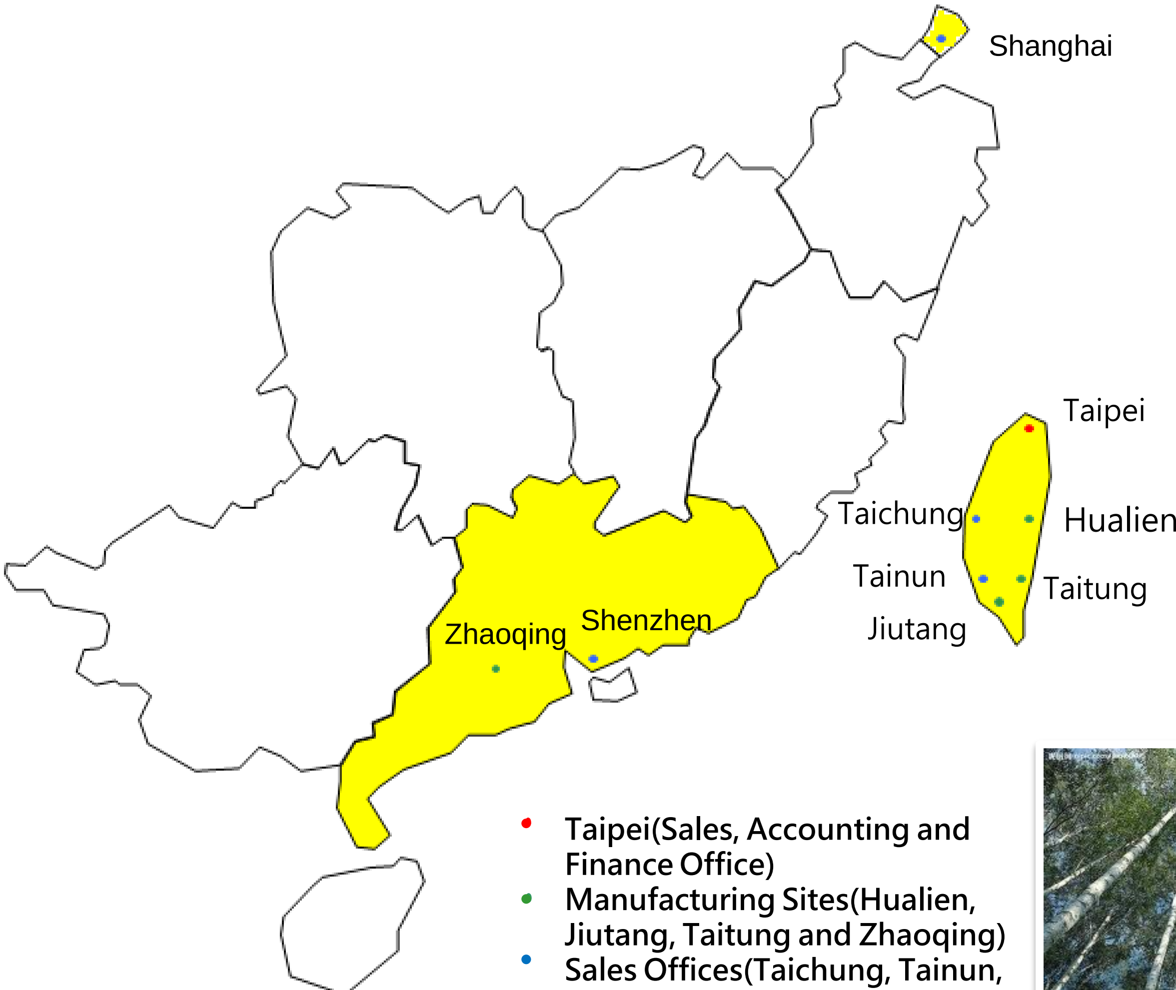
Glassine Paper

Masking Paper

Holding Structures



Operating Locations



- Taipei(Sales, Accounting and Finance Office)
- Manufacturing Sites(Hualien, Jiutang, Taitung and Zhaoqing)
- Sales Offices(Taichung, Tainun, Shenzhen and Shanghai)

3Q18 Financial Results

In NT Thousands	2018 3Q		2018 2Q		QoQ	2017 3Q		YoY
	Amount	%	Amount	%	%	Amount	%	%
Net Sales	6,080,619	100.0	6,201,622	100.0	-2.0	5,679,183	100.0	7.1
COGS	5,494,447	90.4	5,590,616	90.1	-1.7	5,155,301	90.8	6.6
Changes in Biological Assets	- 2,119	-	- 2,282	-	-	- 1,248	-	
Gross Profit	584,053	9.6	608,724	9.8	-4.1	522,634	9.2	11.8
Operating Profit	179,224	2.9	203,659	3.3	-12.0	140,556	2.5	27.5
Other Income/Expense	18,238	0.3	- 29,480	- 0.5	-	81,902	1.4	-77.7
Profit Before Tax	197,462	3.2	174,179	2.8	13.4	222,458	3.9	-11.2
Profit After Tax	168,633	2.8	146,796	2.4	14.9	205,253	3.6	-17.8
Profit Attributable to Owners	175,144	2.9	130,980	2.1	33.7	171,979	3.0	1.8
After Tax EPS	0.16		0.12			0.16		

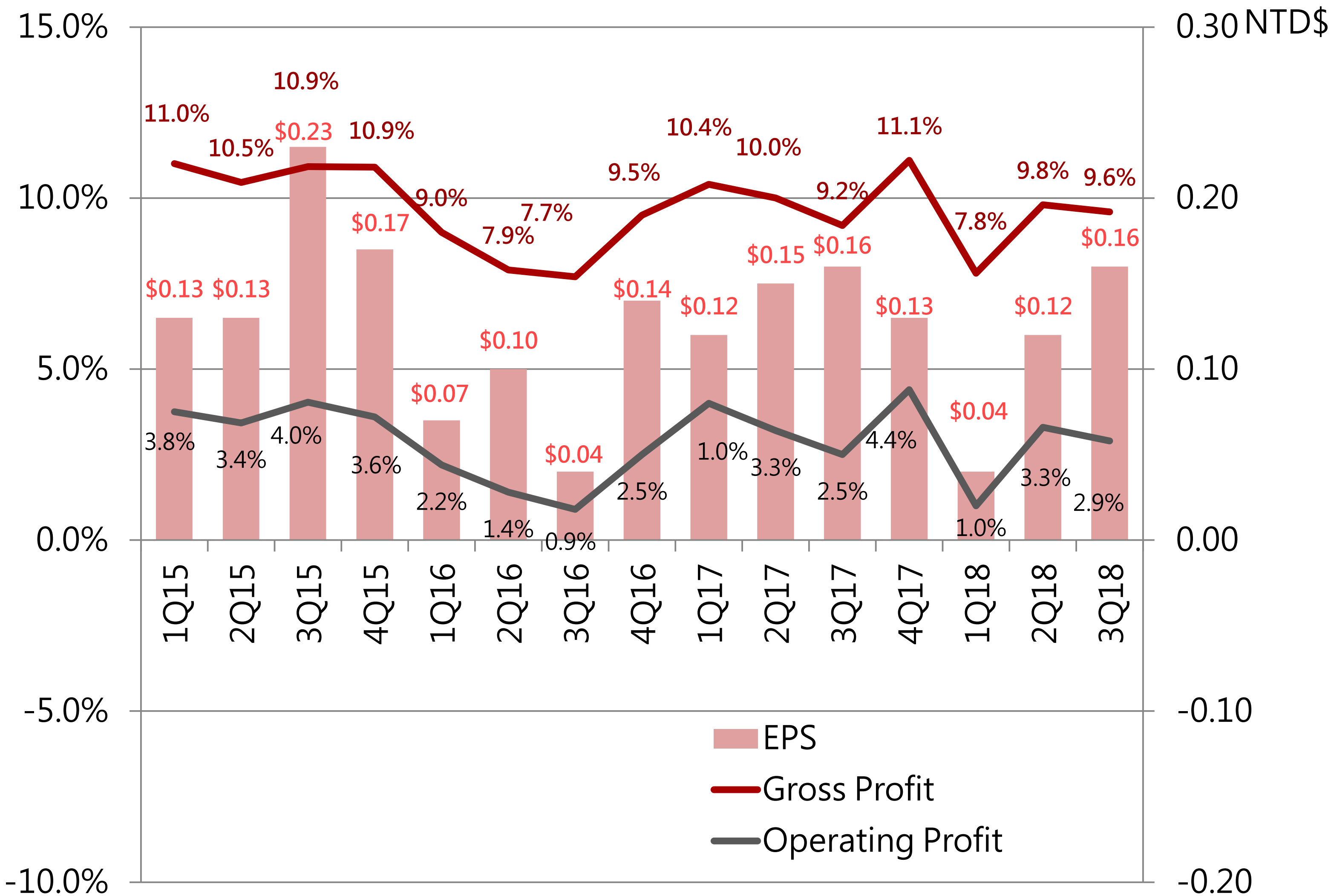
3Q18YTD Financial Results

In NT Thousands	2018 3QYTD		2017 2QYTD		YoY
	Amount	%	Amount	%	%
Net Sales	18,034,067	100.0	16,552,402	100.0	9.0
COGS	16,386,182	90.9	14,918,505	90.1	9.8
Changes in Biological Assets	- 8,650	-	- 4,418	-	
Gross Profit	1,639,235	9.1	1,629,479	9.8	0.6
Operating Profit	439,247	2.4	524,082	3.2	-16.2
Other Income/Expense	38,779	0.2	78,919	0.5	-50.9
Profit Before Tax	478,026	2.7	603,001	3.6	-20.7
Profit After Tax	391,385	2.2	543,048	3.3	-27.9
Profit Attributable to Owners	351,196	1.9	468,763	2.8	-25.1
After Tax EPS	0.32		0.43		

3Q18YTD Non-Operating Incomes and Expenses

Unit : NT Thousands	2018 3QYTD	2017 3QYTD
Finance costs	- 39,118	- 43,834
Foreign exchange gain(losses) and Gain (loss) on financial instruments at FVTPL	- 51,183	24,456
Share of profit of associates	39,983	28,476
Dividend income	55,783	32,609
Other incomes	33,314	37,212
Total	38,779	78,919

Quarterly Performance



Summary

3Q 18

➢The 3Q18 consolidated revenue was NTD $6.08 billion. Due to routine annual maintenance performed in Taiwan and mainland factories, the Pulp output is reduced and the 3Q18 consolidated revenue decline 2% Q/Q. Attributable to the global pulp and paper prices rising year on year, the 3Q18 consolidated revenue increased 7.1% Y/Y. The Gross Profit and Operating Profit were 9.6% and 2.9% , declined 0.2 and 0.4 ppt. Q/Q ,and with annual growths of both 0.4 ppt.
➢Non-operating incomes were affected by the fluctuation of foreign exchange markets and the NT$ 55.7 million dividend income. The Net profit after tax was NT$ 197 million, and attributable to owner was NT$175 million in 3Q18, with annual growths of 1.8%. The 3Q18 EPS was NTD$0.16.

2018 3QYTD

➢The 3Q18YTD consolidated revenue was NTD $18.03 billion, with 9% Y/Y growth. The 3Q18YTD Gross Profit and Operating Profit were 9.1% and 2.4% respectively. The 3Q18YTD net profit after tax was NT$391 million, and attributable to owner was NT$351 million. The 3Q18YTD EPS was NT$0.32.

4Q18 Outlook

➢Due to trade war between China and the US, the customer orders tend to be more conservative. The company is cautious about its 4Q18 operations.
➢ In order to comply with the 2019 Plastic Restriction Act, the company has developed "Easy Straw Paper" which is truly plastic-free, recyclable and can be decomposed by the environment.
➢Starting from Nov 1st, the cultural paper manufactured by CHP will not contain fluorescent agent and the manufacturing process will be more eco-friendly and reduced water resources consumption. The company will continue to improve and develop various products, and improve the production process to be greener and more eco-friendly.

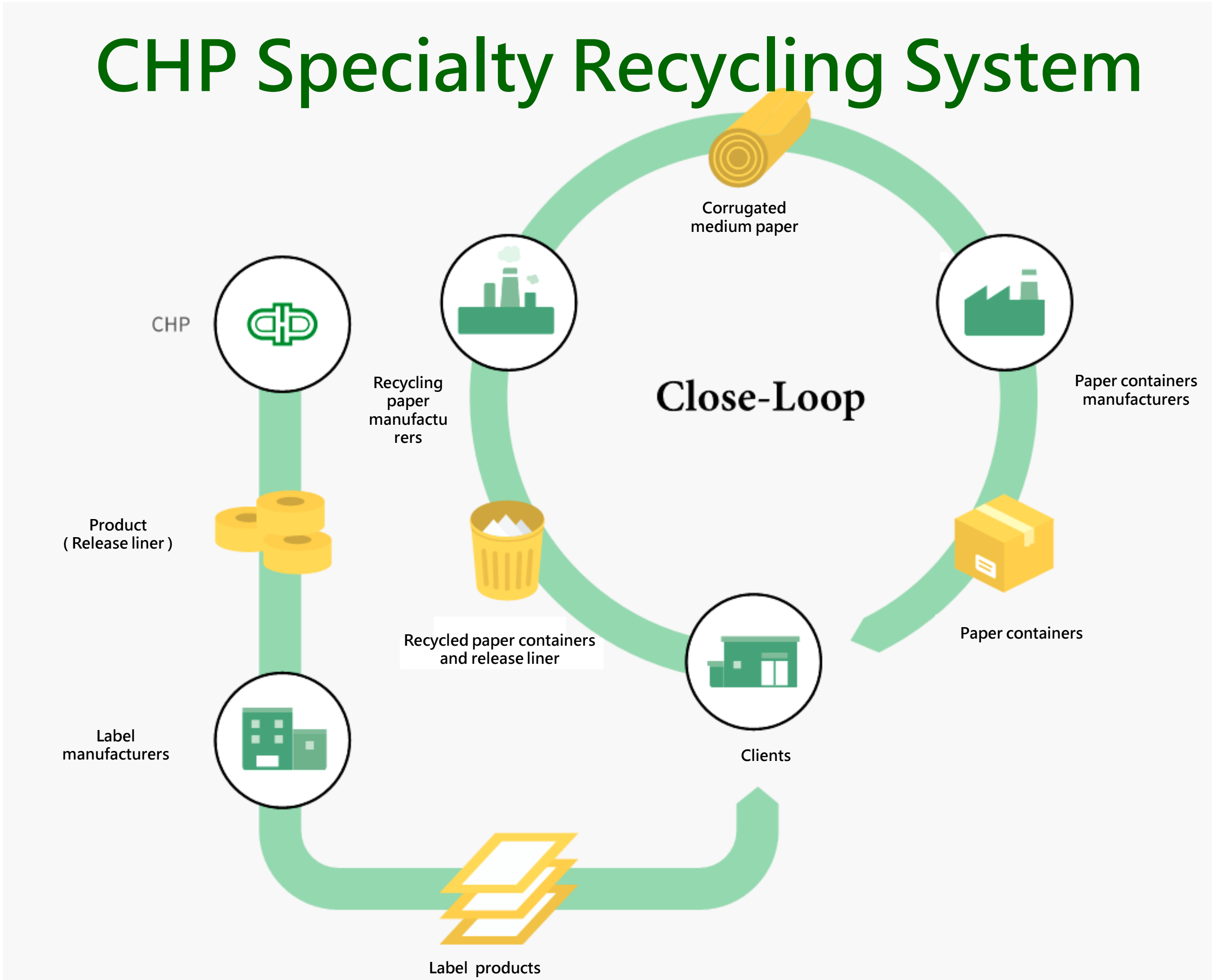
CHP-Corporate Sustainability Honor

Won

Corporate Sustainability Report Awards-Gold
Top50 Corporate Sustainability Awards
Growth through Innovation Awards

Website：https://tcsaward.org.tw/tw/news/index/178
Media Report：https://tcsaward.org.tw/tw/about/harvest/Mediareport

Growth through Innovation Awards-



Thank you